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SUBJECT: MEDIA REACTION: WESTERN HEMISPHERE: MERCOSUL, BRAZIL AND
URUGUAY-US FREE TRADE; SAO PAULO

1. "Action In The Americas"

The lead editorial in liberal, largest national circulation daily Folha de S. Paulo (2/28) commented: "Brazilian concessions during President Lula's visit to Uruguay are in the right direction, but should not be considered a solution for Mercosul's erosion.... Uruguay's threat of establishing a free-trade agreement with the US is a mere symptom of a larger crisis. Not only a symptom, but also a pretext because the chances of an agreement with the world's biggest economy have narrowed since the Democrats resumed control of the Congress.... The fact that Brazilian diplomacy has begun to act is good news. The concessions to Uruguay are relatively as modest as Uruguay's weight in the bloc is. What is of greatest interest to the companies in Mercosul's four founding members countries is that the region really works as a free-trade zone. It is up to Brazil to lead in taking institutional actions aimed at reinforcing and consolidating such an environment.... Brazil's responsibility, however, goes far beyond that. The nation's awakening to foreign trade has reduced the relative importance of Mercosul with regards to Brazilian imports and exports.... Brazil lacks a comprehensive initiative to make possible the opening of its market to manufactured goods. The attempt to unite South American nations as a tactic antagonistic to Washington's policy of establishing bilateral agreements in the region failed. The growth of trade in the Americas would have more chances of being realized with an agreement that involved the US."

2. "Uruguay's Sorrows Persist"

The lead editorial in center-right national circulation daily O Estado de S. Paulo (2/28) opined: "President Lula's visit to Uruguay has been presented by his administration as a success. Ten days before President Bush's visit to Montevideo, Lula would appear that he has convinced President Tabar Vzquez not to sign a free-trade agreement with the US. If that agreement were signed and ratified, Uruguay could not continue to be a member of Mercosul due to complete incompatibility with the bloc's norms.... President Vzquez is aware that his nation is not among the priorities of Brazil's foreign policy. And President Lula never concealed that Montevideo is not among his main concerns.... The agreements Lula signed in Montevideo would never compensate for the opportunities Uruguay would have with a privileged trade relationship with the US.... Uruguayans were not convinced by Lula's discourse. If they will not insist on a free-trade agreement with the US the reason for that is simple and realistic: the powers the Congress attributed to president Bush to negotiate trade agreements no longer exist." McMullen